

June 26, 2011

The Honorable Rick Snyder
Governor of Michigan
P.O. Box 30013
Lansing, Michigan 48909

Michigan State Senate
c/o Ms. Carol Morey Viventi, Secretary
State Capitol
Lansing, Michigan 48909

Michigan House of Representatives
c/o Mr. Gary Randall, Clerk
State Capitol, Room 70
Lansing, Michigan 48909

Dear Governor Snyder and Members of the Legislature;

In accordance with Public Act 304 of 1982, the attached 2010 Annual Report for the Michigan Utility Consumer Representation Fund (UCRF) is transmitted to the Legislature.

The UCRF provides grants to qualified applicants that represent the interests of Michigan's residential energy utility customers in gas cost and power supply cost recovery proceedings before the Michigan Public Service Commission. The positive results for residential customers relative to the costs to those same customers demonstrate the continued importance of the UCRF grant program.

This report reflects the activities and results of the UCRF grant program administered by the Utility Consumer Participation Board. The Attorney General's Office also receives UCRF funding to intervene on behalf of the utility ratepayers of Michigan in Act 304 proceedings. The Attorney General's Office will submit its' P.A. 304 Annual Report under separate cover.

Sincerely,



Mr. Alexander H. Isaac, Chair
UTILITY CONSUMER PARTICIPATION BOARD

cc. Steven H. Hilfinger, Director, Michigan Department of Licensing and Regulatory Affairs (LARA)

**UTILITY CONSUMER REPRESENTATION FUND
ANNUAL REPORT**

CALENDAR YEAR 2010

UTILITY CONSUMER PARTICIPATION BOARD

Mr. Alexander Isaac, Chair
Mr. Marc Shulman, Vice Chair
Sister Monica Kostielney
Dr. Harry M. Trebing
Mr. Conan Smith

EXECUTIVE SUMMARY

PA 304 of 1982 established a separate proceeding that allows energy utilities to more quickly recover costs for power supply and purchased gas than they otherwise could in a full rate case. To assure that customers who pay these costs would be represented in these utility cost recovery proceedings, the Act also established the Utility Consumer Representation Fund (UCRF). Utilities that use cost recovery proceedings are required to charge customers in their rates for UCRF funds and, in turn, remit those funds to the State of Michigan. UCRF funds are then distributed to the Department of Attorney General and the Utility Consumer Participation Board (UCPB). The UCPB grants UCRF funds to qualified Michigan non-profit organizations and local units of government to represent the interests of customers in energy costs proceedings before the Michigan Public Service Commission.

In 2010, the state's six largest investor-owned utilities that use cost recovery proceedings collected and remitted \$1,103,851 to the Utility Consumer Representation Fund. Ninety-five percent of the revenue is split between the Attorney General (\$524,329) and the UCPB for grants (\$524,329). The remaining 5% (\$55,193) is allocated for administrative costs. In 2010, The Utility Consumer Participation Board (UCPB) requested an authorization of \$950,000 for grants using current and accrued funds. Of that amount, \$902,500 is available for grants and \$47,500 is allocated for administrative costs.

In 2010, new grants in the total amount of \$886,424 were awarded to the Ratepayer Consortium (RRC), Michigan Environmental Council (MEC), Citizens Against Rate Excess (CARE), and the Michigan Community Action Association (MCAAA). The membership and scope of these organizations is geographically and demographically diverse.

In addition to new cases, work approved under grants in prior years continued as court and commission decisions were still pending in some cases. The cases selected for UCRF funding represent approximately 3 million residential natural gas customers and 3.5 million residential electric customers in the State of Michigan.

In 2010, UCRF funds helped Michigan citizen advocates secure significant benefits for customers that pay gas cost and power supply costs as part of their utility rates. Among the savings directly attributable to UCRF participants were \$86 million in refunds, rate base reductions of \$44 million, utility cost reductions and disallowances of \$19 million, and adjustments of \$2 million. UCRF funded participants supported nearly \$10 million in additional adjustments, disallowances, and cost reductions presented by the Michigan Public Service Commission staff, Attorney General and other parties.

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Questions regarding this report should be addressed to:

Utility Consumer Participation Board
Department of Licensing and Regulatory Affairs
Attention: Ms. Robin C. Bennett
P.O. Box 30004
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1. INTRODUCTION

Public Act 304 of 1982, as amended (Act 304) provides for the establishment and implementation of gas and power supply cost recovery clauses in the rates and rate schedules of public utilities. The Utility Consumer Participation Board (UCPB) and the Utility Consumer Representation Fund (UCRF) were further created by the Act to achieve equitable representation of interests of energy utility customers in energy cost recovery proceedings. The purpose of the UCPB is to make grants from the Act 304 Utility Consumer Representation Fund (UCRF) to qualified nonprofit organizations and local units of government to represent the interests of residential utility customers in energy cost recovery and reconciliation proceedings before the Michigan Public Service Commission.

This annual report to the Legislature, which is required under section 6m(22) of the Act, covers the activities of the Utility Consumer Participation Board for the 2010 calendar year.

From January 1, 2010-December 31, 2010, The Utility Consumer Participation Board awarded \$886,424 in UCRF grants to consortia of several non-profit, consumer groups. The board also continued to monitor grant work previously authorized. Grant recipients in 2010 included the Residential Ratepayer Consortium (RRC), Michigan Environmental Council (MEC), Citizens Against Rate Excess (CARE), and the Michigan Community Action Agency Association (MCAAA). Combined, the grantees represent state-wide, nonprofit groups with over 400 member agencies and tens of thousands of individual members focused on issues related to energy costs, consumer protection, environmental, public health, and community action. The actions of these grantees influence utility costs for 3 million residential natural gas customers and 3.5 million residential electric customers in the State of Michigan.

In 2010, UCRF grant recipients participated in over 50 proceedings on behalf of residential customers of the State of Michigan. UCRF funds helped Michigan citizen advocates secure significant benefits for customers that pay gas cost and power supply costs as part of their utility rates. Among the savings directly attributable to UCRF participants were \$86 million in refunds, rate base reductions of \$44 million, utility cost reductions and disallowances of \$19 million, and adjustments of \$2 million. UCRF funded participants supported nearly \$10 million in additional adjustments, disallowances, and cost reductions presented by the Michigan Public Service Commission staff, Attorney General and other parties. Other results, such as programmatic changes were also achieved. The board actively monitors participant activity and results.

In addition to UCRF intervenor grant awards, The Attorney General's Office receives UCRF funding for intervention on behalf of the utility ratepayers of Michigan. Coordination between the Attorney General, MPSC staff and other participants in UCRF funded cases is monitored by the board. Practices including advance review of grant applications, grant amendments, and regular reporting on case status and interventions, adopted by the UCPB continue to improve coordination of the grantees efforts with the Attorney General. This provides efficient use of resources while achieving coverage of a wide range of complex and highly specialized issues involved in major cases without duplication of effort. The Attorney General's office is also consulted in its role as legal counsel to the board. Expenditures and results of the Attorney General's intervention are provided in a separate annual report submitted by their office to the Legislature.

2. UCPB MAJOR RESPONSIBILITIES

MCL 460.6l provides for the creation of a Utility Consumer Participation Board, defines its membership, and prescribes its duties. MCL 460.6m creates the Utility Consumer Representation Fund, establishes provisions for its generation, distribution and use, limits the beginning dates of cost recovery proceedings, and places reporting requirements on both fund recipients and the Board.

The duties and responsibilities of the Act under these two sections were discharged as described in sections 2.1 and 2.2.

2.1 UCPB Board Activities 2010

The Board maintained a bimonthly meeting schedule in 2010. Regular or special meetings were held with a quorum present on February 1, April 12, June 6, August 25, October 4, and December 6. All meetings were posted and held in compliance with the Open Meetings Act. Members of the public were present at all meetings and given opportunity for public comment. Eleven budget amendments were approved at meetings held on 4/12, 6/7, 8/25, and 12/6. The 2010 UCRF Grant Announcement and Application were distributed in May 2010. The 2009 Annual Report was approved on 6/7/2010. An annual administrative support contract for the assistant to the UCPB in the total amount of \$22,975 was approved on 8/25/2010. Four UCRF grants (AY11 authorization) were approved on 8/25/2010. The 2011 regular meeting schedule was approved on 12/6/2010. A vacancy on the board since 1/1/2009 was filled with new member Conan Smith in October 2010. Transcripts are available for all meetings and the minutes are available on the web site www.michigan.gov/lara under "Agencies", "Utility Consumer Participation Board."

2.2 UCRF Grants Awarded in 2010

Grant ID	Authorization Year	DESC	Amt Awarded (with any amendments as of 12/31/2010)
RRC UCRF 11-01	2011	Intervention in GCR Plan and Reconciliation cases for Consumers Energy, MichCon, SEMCo, and MGU and monitoring of GCR Dockets of other Michigan gas companies. Areas of focus include reforming the fixed price purchasing guidelines for all Michigan gas companies in GCR Plan and reconciliation cases to adjust to the changing market conditions resulting from the state of the economy, competitive suppliers, and reduced demand for natural gas; advocacy on safeguards for GCR customers arising from the need for the utilities to serve as the supplier of last resort (e.g., balancing charge, capacity charge) as a result of the migration of customers from the utility system to alternative gas suppliers creates; and changes to utilities' gas supply planning to accommodate lower requirements on the system.	\$191,247

CARE UCRF 11-02	2011	Intervention in PSCR/PSCR-R proceedings for six small-medium sized utilities throughout the State. Participation in federal proceedings that impact Act 304 costs to Michigan utility customers.	\$209,257
MCAAAA UCRF 11-03	2011	Proposal includes participation in GCR Plan/GCR Recon cases for MichCon and CECO, PSCR Plan/PSCR Recon for DECO and CECO. Focus is on specialized issues grantee has pursued over time including SNF and collection of fees for SNF disposal, trust remedy for CECO, DOE liability. Also gas purchasing plans, financing costs in GCR/PSCR rates, NYMEX contingency mechanism, LIFO accounting, 'latent windfall,' mitigation of costs during gas price spikes. The workplan also proposes greater scrutiny of affiliate transactions and their affect on gas and electric costs under Act 304.	\$243,723
MEC UCRF 11-04	2011	Intervention in CECe / DECo PSCR plan and reconciliation cases, RE Plan Recon case, RE/EO Biennial Plan Review, EO Plan Amendment case with focus on reduction of costs of supplying both conventional and renewable forms of energy, and to issues where the interests of ratepayers and the environment are aligned.	\$242,197
TOTAL AWARDED			\$886,424

2.3 Resource Availability

The total UCRF funding requested by applicants in the initial AY11 grant cycle was: \$ 1,251,895. The UCRF authorization available for grants was \$902,500. The potential funding deficiency based on the proposals submitted was \$349,395. The total amount initially granted by the board was \$812,088. On 12/6/2010 the board awarded additional funds through grant amendments to MEC in the amount of \$30,300 and MCAAAA in the amount of \$44,036. The total amount granted at calendar year-end was \$886,424.

In addition to intervenor funds, the board approved a contract for administrative support in the total amount of \$22,975 for the term October 1, 2010-September 30, 2011.

2.4 Resource Efficiency and Non-Duplication Due Diligence

The UCRF grant application requires each applicant to provide a work plan specifying, among other things, the cases they intend to intervene in, the issues and strategies they intend to pursue and potential benefits to consumers. The UCRF board assistant and attorney general staff review the proposals in advance and provide comments to the board. Any potential duplication among grantees or with the attorney general are presented to the applicants so that workplans or requests can be modified. These changes are discussed at the board review meeting. Bi-monthly case status reports are required from grantees and testimony reviewed in order to prevent or address any potential duplication of effort. The board does not discourage coordination of effort where it serves the interest of consumers.

2.5 Administrative Efficiency

The Board achieves administrative efficiency in the following ways:

1. Implemented a grant review process utilizing a rating and ranking system based on statutory guidelines.
2. Utilized the revised UCRF grant application designed by DLEG Purchasing and Grant Services and the Michigan Attorney General's Office.
3. Requested the opinion of the Attorney General's office during grant review regarding the legal compliance of the individual grant applications with the governing statute or case law prior to the approval of grants and whether there was any objection to either the approval or the submission of individual grants to the State Administrative Board.
4. Requested the opinion of utility representatives present during grant review as to concerns or objections regarding the legal compliance of the individual grant applications with the governing statute or case law prior to the approval of grants and whether there was any objection to either the approval or the submission of individual grants to the State Administrative Board.
5. Renewed contract with part-time contractor to assist the Board and coordinate efforts with other parties of interest.
6. Followed regular bi-monthly meeting schedule.
7. Implemented bi-monthly case status reports from grantees.
8. Formalized process of written grant amendments and documented board approval prior to submission to LARA.
9. Revised annual report.
10. Expanded information publicly available on the web site.

3. UCRF RESULTS

3.1 Cost/Benefit Analysis and Discussion

In creating cost recovery mechanisms that allowed utilities to recover energy supply costs from ratepayers outside of a contested rate case, the Michigan Legislature assured that Michigan's residential energy customers would be effectively represented through the creation of the Utility Consumer Representation Fund (UCRF). UCRF funding is collected from assessments on utilities that use the cost recovery mechanism. This cost is paid by customers through their rates. Therefore, the revenue for the fund is generated from ratepayers and expended to assure their representation in utility cost recovery proceedings.

The PSQR and GCR cases have a "plan" and "reconciliation" phase. The plan cases for each utility set the framework and establish the cost of fuel recoverable from all customers. The reconciliation phase looks back at the assumptions and performance of the utility under the plan and "corrects" or "true-up" the plan factors with reality. The differences are then passed through to customers through collections, credits or refunds. UCRF grant funded parties advocate for the interests of residential customers in this process.

There are many factors that impact assessment of effectiveness of UCRF funded intervention on behalf of residential customers including: 1) certain cases and proceedings span more than one grant year, 2) proceedings, through the appeal process, may remain pending for several years, 3) impact of a decision in one year often continues to benefit ratepayers in future years, 4) outcomes may result from multiple parties interventions and may be reported (in whole or part) by each party, 5) lack of a standardized reporting approach and validation method, and 6) indirect benefits not reflected in direct cost reductions.

UCRF funded intervention in cases decided in 2010 calendar year again yielded substantial benefits for residential utility customers. Consumer advocates using UCRF grant funds were responsible for and/or contributed substantially to the following positive outcomes for GCR and PSCR ratepayers:

1. RRC arguments helped secure an increase in SEMCo's overrecovery in the 2008-09 GCR Plan Reconciliation Case by \$84,667;
2. RRC audit in the MGUC 2009 GCR Reconciliation Case revealed lower gas costs for customers in the 2008-09 Plan period due to implementation of RRC recommendations from prior UCRF funded interventions;
3. RRC supported staff and AG positions resulting in \$3,372,064 disallowance of TPR and E-1 discounts in the CEC Co 2008 PSCR Reconciliation Case;
4. Commission adopted RRC's recommendation that the GCR factor be changed to reflect a \$15 million reduction in projected gas costs in CEC Co 2009-10 GCR Plan Case;
5. Commission adopted RRC proposal to use an 11-year average for allocation of monthly sales rather than the four-year average in CEC Co 2011 GCR Plan Case;
6. Adopted the RRC's recommendation that MichCon use a 15-year rolling average to forecast the Company's demand requirements. Ordered that MichCon shall prospectively price its MGAT purchases at the monthly city-gate index price.
7. Contributed to modifications in SEMCO's FPP program in 2011-12 GCR period.
8. Contributed to a moratorium on MGUC's FPP program. Secured a commitment from MGUC to evaluate and consider implementing the RRC's proposed modifications to the company's storage operations and its use of its firm pipeline transportation services;
9. ALJ cited arguments by MEC/PIRGIM in support of a \$1.6 million disallowance for E-1 discounts given by CEC Co;
10. MEC/PIRGIM supported the CEC Co \$4,267,294 rate adjustment proposed by the Attorney General in the 2007 CEC Co PSCR Reconciliation case;
11. MEC/PIRGIM was responsible for \$86 million refund by CEC Co to customers of nuclear decommissioning funds ;
12. MEC/PIRGIM was responsible for a deduction of \$44 million DOE liability from CEC Co's rate base saving customers approximately \$4 million and the removal of \$519,510 interest cost from the cost of capital;
13. MEC achieved partial relief on arguments that CEC Co was likely over-projecting energy savings in the company's EO Plan Amendment Case;
14. Based on MEC testimony, the Commission declined to require investment at this time, but stated that it will continue taking steps to evaluate the cost-effectiveness and statutory suitability of fuel substitution technologies;
15. MCAAA successfully argued against increase in the ceiling factor cap from an increase of \$3.00 per MMBtu to \$5.00 per MMBtu in CEC Co's GCR contingency mechanism;
16. MCAAA successfully argued that the DOE liability should be included in CEC Co's capital structure at a cost rate of 0%;
17. MCAAA successfully opposed the removal of \$4,075,000 associated with DOE letter of credit fees from the CEC Co cost of service;
18. MCAAA successfully opposed CEC Co UETM (uncollectible expense) surcharge;
19. MCAAA helped to defend December 18, 2007 disallowance of \$7,614,405 of expenses incurred by MichCon for natural gas purchases during the twelve-month period ending March 31, 2006;

20. MCAAA engaged in the establishment and defense of a trust for DOE liability funds and supported staff positions to disallow DOE liability interest costs of \$2,093,000 in its projected O&M expenses;
21. CARE review of the Alpena 2009 PSCR Reconciliation case resulted in a \$35,000 adjustment;
22. CARE review and discovery in the IM Power 2010 PSCR Plan Case resulted in \$382,945 in adjustments;
23. CARE review and discovery in the NSP 2010 PSCR Plan Case resulted in a net savings of \$581,873 for ratepayers;
24. CARE review and discovery in the UP Power Co. 2010 PSCR Plan Case resulted in an adjustment of \$691,367.
25. CARE review and discovery in the WPS Corp. 2010 PSCR Plan Case resulted in an adjustment of \$361,037.

3.2 Summary of UCRF Grant Activity and Results

The following are results in cases in which an ORDER has been issued in the period January 1, 2010-December 31, 2010. Some of the cases in which UCRF grantees participate in 2010 will not conclude until subsequent years. Results for those cases will be reported in future annual reports. Results are reported based on an independent review of the record by UCPB staff as well as reporting by the grantee. Complete dockets related to the cases are available through the Michigan Public Service Commission's Electronic Docket Filing System (EDocket) at www.michigan.gov/mpsc. Results for individual cases may be verified by reviewing the case docket. MPSC case numbers have been included for purposes of research and validation.

Grant Recipient: Residential Ratepayer Consortium

Docket No.	Case Title	UCRF Grant No.	UCRF Grant Amt Awarded (as of 12/31/2010)	Balance (12/31/2010)	Other financial support (matching funds, pro bono support, etc.)
U-15451-R	MichCon 2008-09 GCR Recon Case	09-06	\$27,270	\$ 3,818	None reported
Results	Order 10/14/2010. Rejected the RRC's proposed disallowance for the MGAT purchases but ordered that on a going forward basis, these purchases will be made at the applicable MichCon City Gate price.				
U-15452-R	SEMCO 2008-09 GCR Recon Case	09-06	\$27,270	\$7,908	None reported
Results	Order 6/24/2010. Approved settlement agreement between the parties that increased the amount of SEMCO's filed GCR overrecovery by \$84,667. This increases the credit to GCR customers for the Company's 2009-10 GCR costs, thereby reducing the GCR factor for 2009-10. RRC presented evidence showing results of comprehensive audit of SEMCO's gas purchases in 2008-09 GCR period, the company's storage operation during 2008-09 winter period, SEMCO's peaking service, and the company's use of its firm transportation and capacity release results. No disallowances were recommended for FPP because the decisions were made in conformity with SEMCO's MPSC approved gas purchasing guidelines. RRC recommended three disallowances totaling \$379,000 with respect to SEMCO's failure to discharge its duty to pursue and maximize capacity release credits.				

U-15450-R	MGU 2009 GCR Recon Case	09-06	\$27,270	\$10,853	None reported
Results	Order 6/3/2010. Settlement agreement approved. No cost disallowances. Settlement agreement requires MGUC to file additional information about its operations in future GCR Plan and GCR Reconciliation proceedings. RRC presented evidence showing results of comprehensive audit of MGUC's gas purchases in 2008-09 GCR period, storage operations during the 2008-09 winter period, peaking service, and use of firm transportation. No disallowances were recommended for FPP because the decisions were made in conformity with MGUC's MPSC approved gas purchasing guidelines. RRC will use evidence to advocate changes in FPP guidelines in the next GCR Plan case. MGUC's implementation of RRC's recommendation from prior cases that it increase use of ANR SE and reduce use of Consumers for transporting gas in the summer and that it maximize ANR SW and PEPL during the winter resulted in lower gas costs for GCR customers in the 2008-09 GCR period.				
U-15454-R	CECo 2008-09 GCR Reconciliation	09-06	\$27,270	\$4,399	None reported.
Results	Order 11/4/2010 Consumers Energy Company's 2008-2009 GCR Reconciliation approved with no cost disallowances.				
U-15985	MichCon Rate Case	09-06	\$27,270	\$0	None reported
Results	Orders 2/8/2010, 6/3/2010, 7/27/2010.				
U-15415-R	CECo 2008 PSRC Plan Recon Case	09-06	\$63,630	\$30,779	None reported
Results	Order 6/3/2010. Supported staff and AG proposal to disallow Rate E-1 expense and TPR expense from PSRC customers. Expenses of \$338,601 (TPR) and \$3,033,463 (E-1) were added back into revenue. Results in \$1,214,093.50 in interest expense that Consumers owes its customers				
U-15417-R	DECo 2008 PSRC Plan Recon and PEM Recon Case	09-06	\$63,630	\$29,615	None reported
Results	Order 7/1/2010. Approves PSRC plan reconciliation as modified. IAC adjustment recommended by RRC not adopted.				
U-15704	CECo 2009-10 GCR Plan	09-06	\$27,270	\$0	\$1,998 pro bono attorney hours.
Results	Order 3/2/2010. Commission rejected RRC recommendations regarding planning for March Sales requirements, projection of incremental requirements for Colder-Than-Normal weather, CECo's peak day estimate for March, CECo's approach to making fixed price natural gas purchases (FPP) and CECo's contingency factor matrix. Commission adopted RRC's recommendation that the GCR factor be changed to reflect a \$15 million reduction in projected gas costs.				
U-16149	CECo 2010-11GCR Plan	10-01	\$30,906	\$2,929	\$2,322 pro bono attorney hours.
Results	Orders 3/12/2010, 12/21/2010. Commission adopted RRC proposal to use an 11-year average for allocation of monthly sales rather than the four-year average. Rejected RRC recommendations regarding Consumers' fixed price purchasing programs. Rejected RRC's recommendation that CECo change its late-season purchasing practices to reduce costs to GCR customers.				
U-15704-R	CECo GCR Recon 2009/10 and Pension, OPEB Recon Case	10-01	\$27,270	\$24,834	None reported
Results	Order 3/2/2010. RRC challenged CECo's contingency mechanism, estimates for requirements (normal March, CTN, and peak day), and also provided recommendations to implement current fixed price purchasing guidelines. Not adopted by Commission.				

U-16146	MichCon 2011 GCR Plan Case	10-01	\$29,088	\$182	None reported
Results	Order 9/28/2010. Rejected the RRC's recommendations for modifying MichCon's FPP. Rejected the RRC's proposed modifications to MichCon's GCR factor contingency mechanism. Adopted the RRC's recommendation that MichCon use a 15-year rolling average to forecast the Company's demand requirements. Ordered that MichCon shall prospectively price its MGAT purchases at the monthly city-gate index price.				
U-15701-R	MichCon 09/10 GCR Recon	10-01	\$27,270	\$24,725	None reported
Results	No orders issued in 2010.				
U-16147	SEMCO 2010-11 GCR Plan Case	10-01	\$25,452	\$3,563	None reported
Results	Order 9/14/2010. Settlement agreement approved. The agreement modifies the Company's FPP program in 2011-12 GCR period by reducing FPP purchases, changes the company's calculation of its Peak Day forecast in the 2011-12 GCR period and revises SEMCO's GCR factor contingency mechanism. RRC presented evidence on SEMCO's FPP program showing it has caused \$66+ in excess gas costs for the GCR customers since its inception and has not been effective in securing price stability. RRC recommended cessation of SEMCO's FPP program and suggested alternative purchasing methods that secure firm supply at lower cost. Recommended alternative, simplified GCR factor contingency mechanism to protect against large GCR underrecoveries. RRC analysis supports conclusion that the company's peak day forecast is acceptable. Presented evidence that shows SEMCO's changes to its storage withdrawal profile should be dropped.				
U-15702-R	SEMCO 2010 GCR Recon	10-01	\$27,270	\$25,197	None reported
Results	No orders issues in 2010.				
U-16145	MGU 2010-11 GCR Plan Case	10-01	\$25,543	\$1,873	None reported
Results	Order 9/14/2010. Partial settlement agreement approved. Created a moratorium on MGUC's FPP. Secured a commitment from MGUC to evaluate and consider implementing the RRC's proposed modifications to the company's storage operations and its use of its firm pipeline transportation services.				
U-15700-R	MGU 2010 GCR Recon	10-01	\$27,270	\$25,216	None reported
Results	No orders issued in 2010.				

GRANTEE: Michigan Environmental Council

Docket No.	Case Title	UCRF Grant No.	UCRF Grant Amt Awarded (as amended through 12/31/2010)	Balance (12/31/2010)	Other financial support (matching funds, pro bono support, etc.)
U-14701-R/COA #287696	MEC v. CECO, MPSC, Michigan Power Ltd Partnership, ADA Cogeneration Ltd Partnership, Cadillac Renewable Energy, LLC.	09-01	\$12,726 (grant funds combined with U-15001-R)	\$0	None reported
Results	Unpublished decision 8/10/2010. Upheld MPSC decision regarding the proper allocation of Consumers Energy Company's sulfur dioxide allowances.				

U-15001-R	2007 CEC Co PSCR Reconciliation and other relief re: pension and OEPB costs.	09-01	\$12,726 (grant funds combined with U-15001-R)	\$0	None reported
Results	Order 3/2/2010. Filed Brief, Reply Brief, Reply to Exceptions supporting staff, AG, ALJ positions. ALJ cited arguments by MEC/PIRGIM in support of \$1.6 million disallowance for E-1 discounts. MEC/PIRGIM supported the \$4,267,294 rate adjustment proposed by the Attorney General for the cost of replacement power attributable to the crane collapse at Campbell 3. CEC Co petition for rehearing was denied.				
U-15611	CECo Reconciliation of nuclear power plant decommissioning funds and expenditures for the Big Rock Point Nuclear Plant and for related relief	09-02	\$28,684	\$0	None reported
Results	Orders 2/8/2010, 4/27/2010 MPSC ordered Consumers Energy Company to refund to customers approximately \$86 million, including interest, in Big Rock Point Nuclear Power Plant decommissioning funds within 18 months.				
U-15645	CECo Rate Case	09-02	\$7,000	\$0	None reported
Results	Orders 1/25/2010, 3/18/2010, 6/3/2010, 8/10/2010. Approved MEC/PIRGIM Petition for Rehearing. Deducted \$44 million DOE liability from Consumers' rate base saving customers approximately \$4 million. Also removed \$519,510 interest cost from the cost of capital.				
U-15675	CECo 2009 PSCR Plan Case	09-04	\$13,029	\$7,264	None reported
Results	Order 1/25/2010. Authorizes PSCR factor and approves PP contract. MEC supported arguments by the Attorney General on Consumers' demand forecast and coal purchasing credit policy. The Commission rejected these arguments.				
U-15677	DECo 2009 PSCR Plan Case	09-04	\$9,393	\$5,522	None reported
Results	Order 1/25/2010. Approves settlement agreement.				
U-16045	CECo 2010 PSCR Plan Case	10-02	\$53,530	\$0	None reported
Results	No orders issued in 2010				
U-16047	DECo 2010 PSCR Plan Case	10-02	\$8,080	\$3,644	None reported
Results	Order 8/10/2010. Settlement agreement approved.				
U-15676-R	CECo 2009 PSCR Recon Case	10-02	\$18,180	\$1,434	None reported
Results	No orders issued in 2010				
U-15677-R	DECo 2009 PSCR Recon Case	10-02	\$6,060	\$3,320	None reported
Results	No orders issued in 2010.				
U-16300	CECo RE Plan Recon Case	10-02	\$38,380	\$13,833	None reported
Results	No orders issued in 2010.				
U-16356	DECo RE Plan Recon Case	10-02	\$7,070	\$5,249	None reported
Results	No orders issued in 2010				
U-16536	CECo Wind Depreciation Case	10-02	\$40,400	\$40,400	None reported
Results	No orders issued in 2010.				

U-16543	CECo RE Plan Amendment Case	10-02	\$18,180	\$18,180	None reported
Results	No orders issued in 2010				
U-16191	CECo Rate Case	10-04	\$37,561	\$10,200	In-house legal assistance by Environmental Law and Policy Center; expert testimony on one issue and additional legal fees supported by Natural Resources Defense Council
Results	Orders 4/13/2010, 7/13/2010, 11/04/2010. Commission rejected arguments that Consumers' line losses were excessive resulting in unreasonable power supply costs for the excess portion being passed on to Consumers; and also rejected argument that Zeeland natural gas plant was more economic than smaller, older coal units based on total costs to customer including capital costs. The Commission did not order a dispatch study at this time. However, significant progress is being made on the dispatch of the natural gas plant and coal units in recent power supply cases.				
U-16412	CECo EO plan amendment Case	11-04	\$10,100	\$0	In-house legal assistance and outside expert fee support by Environmental Law and Policy Center
Results	Order 12/2/2010. Commission rejected MEC argument that amended EO plan had to contain additional cost-effective expenditures up to the statutory spending cap to replace power supply costs. Commission granted partial relief on arguments that CE was likely over-projecting energy savings, refusing to postpone the Company's biennial review and ordering it to incorporate market changes due to federal efficiency requirements into its biennial review application. The Commission noted the Environmental Coalition's request that the Commission require investment in cost-effective fuel substitution. The Commission declined to require investment at this time, but stated that it will continue taking steps to evaluate the cost-effectiveness and statutory suitability of fuel substitution technologies.				

GRANTEE: Michigan Community Action Agency Association

Docket No.	Case Title	UCRF Grant No.	UCRF Grant Amt Awarded (as amended)	Balance (12/31/2010)	Other financial support (matching funds, pro bono support, etc.)
U-15704	CECo 2010 GCR Plan	10-06	\$2,909	\$0	\$594 pro bono
Results	Order 3/2/2010. Opposed increase in the ceiling factor cap from an increase of \$3.00 per MMBtu to \$5.00 per MMBtu in the contingency mechanism. Supported by Commission. Recommended alternatives to or review of 30-year weather normalization period for GCR planning purposes. Not supported by the Commission. Opposed inclusion of a contingency mechanism as part of the GCR plan or, alternatively, a streamlined mechanism. Not supported by Commission. Called for study of how to incorporate provisions for avoiding purchasing gas during temporary price spikes. Not ordered by Commission.				

U-15454-R	CECo 2008-09 GCR Recon Case	10-06	\$9,393	\$0	\$3,956
Results	Order 11/4/2010. MCAAA argued that CEC Co purchased too much gas at too high a price from April through July 2008 and recommended disallowance of \$7,166,488 from the proposed underrecovery. Disallowance rejected by Commission.				
U-15986	CECo Rate Case	10-06	\$17,039	\$0	None reported
Results	Order 5/17/2010. DOE liability should be included in Consumers' capital structure at a cost rate of 0%. Supported by Commission. MCAAA opposed costs \$4,075,000 associated with DOE letter of credit fees. Supported by Commission and cost removed from cost of service. Requested the Commission establish an external trust for the DOE liability funds. ALJ did not support because that was already ordered in another case. MCAAA opposed UETM surcharge. Commission ruled UETM should not be approved.				
U-15701	MichCon 2010 GCR Plan Case	10-06	\$17,039	\$0	None reported
Results	No order issued in 2010.				
U-15451-R	MichCon 2008-09 GCR Recon Case	10-06	\$12,524	\$0	\$8,907
Results	Order 10/14/2010. MCAAA Raised concern regarding purchases from affiliates. Argued for a \$35 million downward rate adjustment to correct for Mich Con's forced purchases of gas at extremely high prices during the 5 days at the end of June 2008. Not ordered by Commission. The grantee noted that "the Commission (order, p.11) did state that 'the city-gate index price is the appropriate price for MGAT supply on a going forward basis.' This set a lower price on a prospective basis for these affiliated purchases compared to the price Mich Con had been using."				
U-15985	MichCon Rate Case	10-06	\$18,136	\$0	\$4,860
Results	Orders 2/8/2010, 6/3/2010, 7/27/2010. Opposed transfer ownership of the Saginaw Bay Pipeline (SBPL) from a wholly-owned Mich Con subsidiary to Mich Con (and treated as net utility plant in this case). Proposed modification to UETM surcharge and process. Commission adopted 80/20 risk-sharing structure. Supported staff proposal to add LIEEF expense. Adopted. Opposed company Lost Gas True-up Mechanism proposal. Supported. MCAAA requested that the Commission fully investigate Mich Con's use of the last-infirst-out (LIFO) accounting method and establish a process leading to a transition from LIFO accounting to either first-in-first-out (FIFO) or average accounting. ALJ/Commission rejected proposal.				
U-16146	MichCon 2011 GCR Plan Case	10-07	\$47,117	\$290	None reported
Results	Order 9/28/2010. Opposed VCA purchasing guidelines and presented alternatives and modifications. Not supported by Commission. Opposed Mich Con's proposal to include short-term financing costs as part of the booked cost of gas because the appropriate forum for addressing such costs is a general rate case. Commission supported position. MCAAA recommended discontinuing the contingent factor matrix in its entirety and offered modifications if continued. Commission did not support position.				
U-14401-R/COA No. 282741	Appeal of MichCon 2006 GCR Recon Case	10-08	\$1,818	\$0	\$432
Results	Unpublished decision February 2, 2010. MichCon appealed the Michigan Public Service Commission's (PSC) December 18, 2007 disallowance of \$7,614,405 of expenses incurred by MichCon for natural gas purchases during the twelve-month period ending March 31, 2006. MCAAA was an active party in that case that supported the adjustment. Order was upheld.				

U-16400	MichCon Rate Case	11-03	\$26,058	\$7,878	None reported
Results	Order 12/13/2010. \$51.1 million dollar rate case withdrawn. MCAAA filed extensive discovery request				
U-16191	CECo Rate Case	11-03	\$4,545	\$1,364	None reported
Results	Orders 4/13/2010, 7/13/2010, 11/4/2010. Supported staff position to disallow DOE liability interest costs of \$2,093,000 in its projected O&M expenses. The Staff disagreed with the inclusion because it is inconsistent with the Commission's order in Case No. U-15645, where the Commission directed the company to establish a trust fund for DOE liability finding that the trust earnings will provide for recovery of this expense. Commission supported the removal of the cost. MCAAA concurred with the Staff's recommendations regarding the guidelines for the Trust. MCAAA urged that the establishment of a trust should not be delayed or reconsidered because of questions relating to Consumers' Court of Claims case or its current settlement discussions with the DOE. In addition, MCAAA stated that the Commission should establish an ancillary process to consider the details of the trust implementation, including selection of a trustee, the provision for a request for proposals, consideration of trust costs among alternative trustees, and concerning all aspects of the trust governance and provisions of the trust. Commission agreed that DOE liability should not be paid. The Commission reiterates that establishment of an external trust, as directed in the November 2, order is the most reasonable and prudent course of action. Commission directs Consumers to establish and fund an external trust for DOE liability within six months of the date of this order, in accordance with the Staff's proposed investment guidelines. The Commission further directs the company to file a letter in this docket attesting to the establishment of the trust.				

GRANTEE: Citizen's Against Rate Excess					
Docket No.	Case Title	UCRF Grant No.	UCRF Grant Amt Awarded (as amended)	Balance (12/31/2010)	Other financial support (matching funds, pro bono support, etc.)
U-16030	Alpena 2010 PSCR Plan Case	10-09	\$7,622	\$0	None reported
Results	Order 5/17/2010. Settlement agreement approved. CARE examined the proposed 2010 plan with an emphasis on the Capacity Charge Settlement Agreement with Consumers Energy Company in the amount of \$799,000 per year. CARE also noted that Alpena also entered into a potentially risky call option agreement with one of its customers to provide Alpena with additional firm capacity to meet its reserve requirements. These matters were deferred to the 2010 reconciliation case. Therefore no adjustments were made to the Plan case as presented.				
U-15660-R	Alpena 2009 Reconciliation Case	10-09	\$3,515	\$478	None reported
Results	Order 10/14/2010. Settlement agreement approved. Focus of this proceeding was on the Variable Energy Payment Rate (VEPR) of which Consumers Energy coal costs represented a significant component of the aggregate VEPR cost. For 2009, coal cost was an average of 91% of the total VEPR. Additionally it was discovered that the company used the prime rate instead of their short term borrowing rate in their calculations. A \$35,000 adjustment was made and the case was settled.				

U-16044	Edison Sault 2010 PSCR Plan Case	10-09	\$4,561	\$0	None reported
Results	Order 3/2/2010. Settlement agreement approved.				
U-16046	Indiana Michigan 2010 Plan Case	10-09	\$29,462	\$0	None reported
Results	Order 4/27/2010. Settlement agreement approved. The Company removed \$225,094 of expenses from its PSCR calculations. Most of these expenses were for dry cast storage which was improperly included in the original application. Additionally, \$157,851 was subtracted from the projected under-recovery. Once the Company made these adjustments totaling \$382,945, the case was settled.				
U-15676-R	Indiana Michigan 2009 PSCR Reconciliation Case	10-09 11-02	\$29,613 \$ 1,750	\$5,682 \$ 48	None reported
Results	Order 12/2/2010. Approved settlement agreement. Case was settled without any Staff or Intervenor testimony being filed. The central unresolved issue revolved around the fact that the Cook Nuclear Plant Unit 1 was out of service from Sept 20, 2008 to December 19, 2009, thus almost the complete year of 2009. Because it is a nuclear base load unit it is one of the cheapest units to run. Replacement energy was very expensive. The unresolved question is whether ratepayers should pay for all of the higher energy cost related to the outage. The parties agreed to defer this issue to the 2010 Reconciliation case when more facts could be evaluated. Thus the matter was settled as originally filed and the Commission approved the settlement on December 2, 2010.				
U-16033	Northern States Power 2010 Plan Case	10-09	\$7,106	\$0	None reported
Results	Order 3/18/2010. Settlement agreement approved. In its original filing, the Company estimated that it would begin the 2010 year with an under-recovery from 2009 in the amount of \$68,029. After review of this information by CARE's expert witness, the number was adjusted to reflect an over-recovery of \$513,844, not an under-recovery. This adjustment resulted in a net savings for ratepayers in the amount of \$581,873 for the 2010 calendar year. The Company agreed and the case was settled and approved by the Commission on March 18, 2010.				
U-15633-R	Northern States Power 2009 Reconciliation Case	10-09	\$6,101	\$175	None reported
Results	No order issued in 2010.				
U-16031	Upper Peninsula Power Company 2010 Plan Case	10-09	\$8,120	\$1,930	None reported
Results	Order 4/13/2010. Settlement agreement approved. In its original filing, the Company estimated that it would begin the 2010 year with an under-recovery from 2009 in the amount of \$1,123,861. After review of this information by CARE's expert witness, the number was adjusted to reflect an under-recovery of only \$432,494. This adjustment resulted in a net savings for ratepayers in the amount of \$691,367 for the 2010 calendar year. The Company agreed and the case was settled.				

U-16034	Wisconsin Electric Power Company 2010 Plan Case	10-09	\$15,778	\$0	None reported
Results	Order 4/13/2010. Settlement agreement approved. It was decided to defer the issues in this case primarily due to the fact that the Company had a general rate case pending (U-15981). In that rate case, interveners and Staff had raised issues, the determination of which would impact the treatment and recovery of WEPCO's 2010 PSCR costs. To avoid litigating those same issues in the 2010 plan case and to avoid possible incongruent determinations, the parties agreed to settle the case while expressly reserving the right to raise any and all issues and positions in the 2010 PSCR reconciliation proceeding.				
U-15661-R	Upper Peninsula Power Company 2009 Reconciliation Case	10-09	\$11,020	\$4,410	None reported
Results	No order issued in 2010.				
U-16044	Edison Sault 2010 PSCR Plan Case	10-09	\$4,561	\$0	None reported
Results	Order 3/2/2010. Settlement agreement approved. This case was short circuited due to the sale of the Company to Cloverland Electric a rural electric cooperative. Therefore no parties filed testimony and the case was settled. UCPB grantees are not legally permitted to intervene in electric co-op proceedings.				
U-16032	Wisconsin Public Service Corp 2010 Plan Case	10-09	\$6,661	\$0	None reported
Results	Order 3/18/2010. Settlement agreement approved. In its original filing, the Company estimated that it would begin the 2010 year with zero over-recovery from 2009. After review of this information by CARE's expert witness, the number was adjusted to reflect an over-recovery of \$361,037. This adjustment resulted in a net savings for ratepayers for the 2010 calendar year. The Company agreed and the case was settled and approved by the Commission on March 18, 2010.				
U-15662-R	Wisconsin Public Service Corp 2009 Reconciliation Case	10-09	\$4,100	\$835	None reported
Results	Order 12/21/2010. Settlement agreement approved. The main issue in this case was the issue of replacement power costs incurred in connection with certain outages of the Company's Weston Unit 4 during 2009. The outages of the Weston Unit 4 are those related to the excessive oxidation and exfoliation within the boiler superheater and reheater. The outage is an issue that is currently being reviewed by the Public Service Commission of Wisconsin. The parties agreed to settle this case and defer the issue of replacement power costs associated with the outage of the Weston Unit 4 during 2009 to the Company's 2010 PSCR reconciliation.				

U-15664-R	Wisconsin Electric Power 2009 PSCR Recon Case	10-09	\$17,210	\$3,004	None reported
Results	No order issued in 2010.				
FERC - ER09-1431 et al	Cost Allocation	10-10	\$68,280	\$21,817	None reported
Results	This case involves the controversial MISO proposal to spread the costs of new transmission lines that carry renewable energy from their source to the population centers. A billion dollar transmission line from North Dakota to Chicago that brought wind energy to the Chicago market is an example of the type of "multi-value project" that this cost allocation formula would apply to. The proposal spreads the costs over the entire 12 state MISO region based on a usage based formula. Because Michigan ratepayers receive approximately 20% of the MISO energy, its ratepayers would pay 20% of the costs of any new "multi-value" transmission projects. Michigan ratepayers would ultimately pay these costs irrespective of the fact that Michigan ratepayers would not benefit from them. These costs are expected to be enormous. One estimate is that Michigan ratepayers will pay over \$3 billion over the next 10 years if the MISO proposal as submitted and approved by FERC in its December 2010 Order is not overturned. CARE and many Michigan based utility companies have asked for a rehearing.				

4. FINANCIAL REPORTING AND GRANT ADMINISTRATION

4.1 Calendar Year 2010 Remittances

The following information is compiled and provided by the Michigan Department of Energy Labor and Growth (DELEG) for purposes of the Annual Report.

Public Act 304 of 1982 requires annual remittances to the Fund from any regulated utility company serving at least 100,000 customers. The total size of the fund is set at \$500,000 multiplied by a factor "set by the Board at a level not to exceed the percentage increase in...The consumer price index for the Detroit standard metropolitan statistical area...between January 1981 and January of the year in which the payment is required to be made." Since enactment of Act 304, total remittances have been as follows:

1982	\$630,600	1997	\$834,050
1983	\$653,400	1998	\$851,728
1984	\$582,250	1999	\$864,600
1985	\$569,600	2000	\$899,000
1986	\$592,650	2001	\$930,650
1987	\$596,050	2002	\$946,150
1988	\$615,250	2003	\$981,150
1989	\$650,450	2004	\$988,350
1990	\$683,450	2005	\$1,013,299
1991	\$715,300	2006	\$1,052,150
1992	\$728,650	2007	\$1,069,450
1993	\$745,838	2008	\$1,096,950
1994	\$760,266	2009	\$1,088,750
1995	\$791,900	2010	\$1,103,851
1996	\$813,000		

Remittances due from the six utilities serving at least 100,000 customers are calculated from the proportion of each "company's jurisdictional 1981 operating revenues...compared to the 1981 total operating revenues of all energy utility companies" contributing to the fund. This proportion, initially calculated in 1982 and recalculated in 1996, remains constant, and was applied to the six remitting utilities in the amounts shown in the table below.

<u>Source of Calendar Year 2010 Remittance Revenue</u>		<u>Distribution of Calendar year 2010 Revenue</u>	
<u>Utility</u>	<u>Amount Contributed</u>	<u>Recipient Allocated</u>	
Consumers Energy	\$452,175	Attorney General (47.5%)	\$ 524,329
Detroit Edison Co.	313,140	Intervenor Grants (47.5%)	524,329
MichCon Gas Co.	276,941	Administration (5%)	<u>55,193</u>
Aquila Networks-MGU	23,915		\$1,103,851
SEMCO	26,941		
Indiana Michigan Power	<u>10,739</u>		
TOTAL	\$1,103,851		

Letters were sent to each utility on 4/01/10 and all remittances were made by 09/2010.

In addition to the calendar year 2010 utility fees, interest was earned for the Fiscal Year ending 9/30/10. This was allocated proportionately between the Attorney General and the intervenor grants. The intervenor proportion totaled \$4,402.

4.2 Fiscal Year 2010 Appropriation and Accrued Funds

Total funding available for awarding intervenor grants was \$902,500 for FY10 as shown below and \$902,500 FY10 authorization subject to budget approval.

Intervenor Grant Funding for fiscal year 2010:

Appropriation (Public Act 130 of 2009)	\$950,000
Less 5% for Administration	<u>(47,500)</u>
Appropriation Available for Intervenor Grants	\$ 902,500
New Revenue	\$524,329
Fiscal Year 2009 Unreserved Fund Balance	1,241,869
Fiscal Year Interest Earned from Common Cash Fund	<u>4,402</u>
Total Available if sufficient spending authorization	\$ 1,770,600

4.3 Notification of Readiness to Proceed

The Act requires that the Public Service Commission not act on "an application for an energy cost recovery proceeding...until 30 days after it has been notified by the Board or the director of the Energy Administration...that the Board or the director is ready to process grant applications, will transfer funds payable to the Attorney General immediately upon [their] receipt...and will within 30 days approve grants and remit funds to qualified grant applicants." Additionally, the Act requires that "in order to implement

the gas [or power supply] cost recovery clause....a utility annually shall file...a complete gas [or power supply] cost recovery plan...The plan shall be filed not less than 3 months before the beginning of the 12-month period covered by the plan." The electric utilities selected January 1, 2007 to December 31, 2008 as the 12-month plan period. Most of the gas utilities selected April 1, 2008 – March 31, 2009 as their 12 month period.

4.4 Scope of Work

Money from the Fund, less administrative costs, "may be used only for participation in administrative and judicial proceedings under sections 6h, 6i, 6j, and 6k [of P.A. 304] and in federal administrative and judicial proceedings which directly affect the energy costs paid by Michigan energy utilities." The Attorney General has issued formal and informal opinions to guide the Board regarding cost matters that may be covered by Act 304 grants. The Act describes several kinds of proceedings. Cases required by statute are:

Gas supply and cost review

Power supply and cost review

Gas cost reconciliation

Power supply cost reconciliation

Decisions in any of these four proceedings may be appealed to the appropriate courts.

Grant proposals were solicited for intervention in 2009-10 GCR Plan cases and 2008-09 GCR Reconciliation proceedings, 2010 PSCR Plan cases and 2009 PSCR Reconciliation proceedings and/or other cases relevant under Act 304.

4.5 Application and Selection Process

Act 304 limits eligibility for funding to non-profit organizations or local units of government in Michigan, places specific additional restrictions on applicants, and suggests criteria that could be used in the selection process.

Applications for grants were received from the Residential Ratepayer Consortium (RRC) and from the Michigan Environmental Council (MEC), Michigan Consumer Action Agency Association (MCAAA) and Citizens Against Rate Excess (CARE). The board followed a rating and ranking system based on the statutory guidelines of Act 304 to award grants. Based on board rankings following advance review of the proposals and presentation by the grantees, grants were awarded in full and in part to all grantees submitting applications. To the extent possible, full participation in supply and cost reviews and in cost reconciliation cases was desired by the Board.

5. UPDATE ON THE LEGISLATIVE REVIEW OF ACT 304

Section 6m(23) of Act 304 requires a three-year legislative review of the costs and benefits attributable to the Act. The House Public Utilities Committee convened a series of hearings in the spring of 1986 allowing each of the interested parties an opportunity to present issues related to the first three years' experience under Act 304. As a part of this review process, the Board identified several issues of importance to residential ratepayers.

In the fall of 1986, the Michigan Public Service Commission sought to resolve some of those issues by initiating a review of the various suggestions that were directed toward the Commission by the Board, intervenors, and the utilities. Recommendations resulting from this review were submitted to the

Commission in the spring of 1987. The following discusses the issues initially identified by the Board and their current status.

ISSUE ONE: The Public Service Commission should refrain from dismembering Act 304 by holding separate proceedings for certain energy cost issues. The shifting of these issues to non-Act 304 cases strains resources available for intervention on behalf of residential ratepayers. Intervenor may have difficulty getting status and funding in the non-Act 304 cases. If they are able to intervene, they may be required to duplicate prior Act 304 efforts in the new proceeding.

The Board is concerned that the wording of Section 6m(17) of Act 304 unduly limits the ability to award UCRF funds for non-Act 304 cases that have a direct impact on energy costs paid by residential electric and gas customers of Michigan utilities.

STATUS: While there has been improvement in the detail provided in the Commission's Notices of Hearing to alert the public that in the non-Act 304 cases, there may be issues that affect purchased gas or electric power supply costs, the Board remains restricted in its ability to grant funds outside of Act 304 cases. New options should be considered for protecting Michigan's residential customers in light of restructuring and escalating gas and electric rates. However, the restrictive language of this section restricts the Board's ability to solicit and award grants for innovative proposals. The urgency of this issue is heightened in 2007 with the energy legislation package under consideration in the Michigan Legislature. The effect of some aspects of this legislation will seriously compromise the ability for effective UCRF funded intervention on behalf of ratepayers.

ISSUE TWO: Numerous and lengthy delays in the Act 304 process were a serious problem up to 1991.

STATUS: The Commission has taken steps to reduce the delays with the goal of issuing orders within nine months of the filing. It has also initiated a staggered filing schedule for gas cost recovery cases. Since the Board cannot accept a utility's filing until 30 days after certification of readiness, early certification was needed to implement the staggered schedule. The Board supported the Commission's actions and in 1991, to allow for more staggering, the Board accelerated the entire grant award process by two months. Also in 1991, the Commission issued Proposed Guidelines for Completion of Cases (Order No. U-9832). In 1992, the Commission's new policy effectively solved the problem of delays in the Act 304 process. The Board commends the Commission for its actions.

ISSUE THREE: The Public Service Commission should adopt a more aggressive review of the utilities' five-year cost projections. Annual review of a utility's five-year forecast, as required by Act 304, is intended to provide an opportunity for future cost containment and increased efficiency.

STATUS: The Board encourages the Commission to continue to increase its scrutiny of the five-year forecasts and to create more rigorous filing requirements. Further the Board encourages the Commission to place greater emphasis on conservation and energy efficiency as part of reasonable and prudent supply planning, particularly in light of increasing energy prices and limited mitigation options for residential energy customers.

ISSUE FOUR: The Public Service Commission should disallow the recovery of costs that were not allowed prior to Act 304.

STATUS: This issue is resolved. Michigan courts have endorsed the Commission's designation of energy costs that may be recovered by electric and gas utilities under Act 304.

ISSUE FIVE: Information provided by the utilities should be standardized to reduce the time and effort required by intervenors spent in obtaining information needed for presenting cases to the Public Service Commission.

STATUS: Filing of standardized information was recognized as an area of need during the Public Service Commission's review in 1987. However, the Commission has issued no formalized requirement for standardized information, and there has been no increase in voluntary compliance by the utilities. This issue was examined again during 1989, but final recommendations were not reached on this issue. The Board continues its support for standardized filings as a means of reducing intervention costs and improving time frames for hearing cases. Further, standardized filing will improve the Board's ability to independently analyze the impact of UCRF funded intervention in Act 304 proceedings.

ISSUE SIX: There is a need for increased intervenor funding. The amount of funding available for intervention has been limited to the annual appropriation less administrative and operating costs incurred. The board does not have the advantage of a large number of in-house experts during the plan and reconciliation case proceedings. Adequate funding is needed to secure technical assistance of expert witnesses to aid in the process of case investigation, analysis and cross-examination.

STATUS: Fees charged by the most prominent expert witnesses have increased at a faster rate than funds available for intervention, resulting in a net decrease in expert witness testimony on behalf of residential ratepayers. If the Attorney General is not participating in a case, and therefore not available to jointly sponsor an expert witness, the intervenors are often forced to reject bids from the most qualified expert consultants due to the lack of funds. Additionally, utilities are becoming more active in sponsoring rebuttal testimony. The intervenors' legal counsel continues to donate time for carry-over cases.

This need for increased resources is heightened by recent, dramatic structural changes in the electric and natural gas industries. Those changes have a profound effect on the energy costs paid by residential utility customers. Without additional funding to support interventions in the various forums in which key decisions about those costs are being made, there is a real danger that the interests of homeowners and renters will not be advocated and that they will ultimately bear an unreasonable share of those costs. The Board specifically requested an increase in the UCRF annual appropriation for the 2006-07 fiscal year. The annual appropriation for 2007 was increased substantially using accrued, unspent funds from previous years. Increasing the spending authorization will be effective until the reserve is depleted.

Questions regarding this report should be addressed to:

Utility Consumer Participation Board
Department of Licensing and Regulatory Affairs
Attention: Ms. Robin C. Bennett
P.O. Box 30004
Lansing, Michigan 48909
(517) 335-5968 Fax: (517) 373-3621

APPENDIX I

UCRF 2010 Grantees

Membership Scope and Description

Residential Ratepayer Consortium (RRC) is comprised of The Area Agencies on Aging Association of Michigan (AAAAM) and the Michigan League for Human Services (MLHS).

The Area Agencies on Aging Association of Michigan (AAAAM) www.mi-seniors.org. Nonprofit organization composed of 16 local area agencies on aging that serve Michigan citizens age 60 and older in all eighty-three Michigan counties. Based on 2000 census statistics, that represents 16.1% of the total state population. Local area agencies include:

1-A Detroit Agency on Aging

Serves Detroit, Hamtramck, Highland Park, Grosse Pointe, Grosse Pointe Park, Grosse Pointe Shores, Grosse Pointe Woods, Grosse Pointe Farms, and Harper Woods cities.

1-B Area Agency on Aging 1-B

Serves Livingston, Macomb, Monroe, Oakland, Washtenaw, and St. Clair Counties.

1-C The Senior Alliance, Inc

Serves Wayne County except areas served by 1-A

2 Region 2 Area Agency on Aging

Serves Jackson, Hillsdale, and Lenawee Counties.

3-A Region 3-A Area Agency on Aging

Serves Kalamazoo County.

3-B Region 3-B Area Agency on Aging (616) 966-2450

Serves Barry and Calhoun Counties.

3-C Region 3-C Area Agency on Aging

Serves Branch and St. Joseph Counties.

4 Region IV Area Agency on Aging

Serves Cass, Berrien, and Van Buren counties.

5 Valley Area Agency on Aging

Serves Genessee, Lapeer, and Shiawassee Counties.

6 Tri-County Office on Aging

Serves Clinton, Eaton, and Ingham Counties.

7 Region VII Area Agency on Aging

Serves Bay, Clair, Gladwin, Gratiot, Huron, Isabella, Midland, Saginaw, Sanilac, and Tuscola Counties.

8 Area Agency on Aging of Western Michigan, Inc.

Serves Allegan, Ionia, Kent, Lake, Mason, Mecosta, Montcalm, Newaygo, and Osceola Counties.

9 Region IX Area Agency on Aging

Serves Alcona, Arenac, Alpena, Cheboygan, Crawford, Iosco, Montmorency, Ogemaw, Oscoda, Otsego, Presque Isle, and Roscommon Counties.

10 Area Agency on Aging of Northwest Michigan

Serves Antrim, Benzie, Charlevoix, Emmet, Grand Traverse, Kalkaska, Leelanau, Manistee, Missaukee, and Wexford Counties.

11 U.P. Area Agency on Aging, UPCAP Services, Inc. Serves Alger, Baraga, Chippewa, Delta, Dickinson, Gogebic, Houghton, Iron, Keweenaw, Luce, Mackinac, Marquette, Menominee, Ontonagon, and Schoolcraft Counties.

14 Senior Resources of West Michigan
Serves Muskegon, Oceana, and Ottawa Counties.

Michigan League for Human Services (MLHS) www.milhs.org. Organization with over 2,000 dues paying members, including more than 300 organizational members, with many of the latter having statewide constituencies.

Michigan Environmental Council (MEC) www.environmentalcouncil.org. Statewide nonprofit public interest and environmental organization consisting of over 71 public health and environmental organizations, having over 200,000 members.

Michigan Community Action Agencies Association (MCAAA) www.mcaaa.org. Michigan nonprofit corporation established on a membership basis. Its constituent members are Community Action Agencies (“CAAs”) operating in each county in Michigan.

Citizens Against Rate Excess (CARE) www.utilityratewatch.org. **Citizens Against Rate Excess (CARE)** is a newly formed Michigan non-profit corporation that serves as a consumer watchdog group to focus on utility rates. They have members across the State of Michigan, mostly in outstate Michigan, including the upper peninsula. The goal of the organization is to seek grants from the UCPB and help the Board “maximize the number of hearings and proceedings with intervenor participation” as provided by MCL 460.6m(18). For example, Intervenor participation in PSCR cases of the electric utility companies that serve the upper peninsula have been rare and this organization has filled that gap. The organization also sought to fill the void in the lack of Michigan residential ratepayer participation in federal proceedings “which directly affect the energy costs paid by Michigan utilities,” MCL 460.6m(17). The objective to participation in these federal proceedings is to prevent Michigan utilities and their Michigan residential ratepayers from being disproportionately allocated expenses (i.e. transmission, etc) that may benefit other states substantially more than Michigan.